



A PHI Company

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Ms. Alisa Bentley
Secretary
Delaware Public Service Commission
861 Silver Lake Blvd., Suite 100
Dover, DE 19904

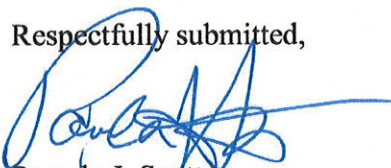
Re: PSC Docket No. 13-115 - Delmarva Power & Light Company's Electric
Rate Refund Plan

Ms. Bentley:

In compliance with PSC Order No. 8569, dated June 26, 2014, attached please find Delmarva Power & Light Company's Electric Rate Refund Plan for the above-captioned docket. Please note that the form of this Rate Refund Plan is consistent with prior rate refund plans submitted in other dockets.

Please feel free to call me at (302) 429-3143 or Pamela Long (302) 283-6033 if you have any questions regarding this matter.

Respectfully submitted,



Pamela J. Scott

Attachment

cc: Service List in Docket No. 13-115
Robert Howatt

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)	
OF DELMARVA POWER & LIGHT COMPANY)	
FOR AN INCREASE IN ELECTRIC BASE RATES)	PSC DOCKET NO. 13-115
AND MISCELLANEOUS TARIFF)	
CHANGES)	
(FILED MARCH 22, 2013))	

Delmarva Power & Light Company Refund Plan

In compliance with the Delaware Public Service Commission Order No. 8569 in Docket No. 13-115, Delmarva Power & Light Company (Delmarva or Company) submits its Electric Refund Plan (Plan) as discussed below.

I. Background

On March 22, 2013, Delmarva filed an application with the Delaware Public Service Commission (Commission) seeking approval of (a) an increase in its electric base rates, (b) a new rate mechanism called the Utility Facility Relocation Charge Rider ("Rider UFRC"), and (c) addition of several new LED lighting options. In its application, Delmarva requested an increase in annual operating revenues of approximately \$42 million¹ or a 7% increase over then current rates.

On October 8, 2013, the Commission issued Order No. 8466. This Order confirmed that Delmarva has the statutory right, pursuant to 26 *Del. C.* §306(a)(1), after the expiration of seven months from the filing of its rate increase to place into effect an interim increase, subject to refund, so long as said rates will not produce an increase in excess of 15% of the Company's annual gross operating intrastate operating revenues. This Order also required Delmarva to submit a refund bond, without surety. On October 22, 2013, Delmarva submitted a rate refunding bond, without surety, in the amount of \$27,655,265. At that time, the seven months had elapsed and Delmarva put a rate increase of approximately \$27.655 million into effect.

On April 2, 2014, following two days of deliberations the Commission issued a minute order, Order No. 8549, which approved a total revenue requirement increase of \$15.09 million. Since the approved revenue requirement increase is less than the base rates placed into effect on October 22, 2013, Delmarva's customers are entitled to a refund plus interest for the period between when Delmarva's full requested rate increase was placed into effect, October 22, 2013, and the period when final approved rates were placed into effect, May 1, 2014.

On June 26, 2014, in response to PSC Staff's Motion requesting that Delmarva be ordered to issue an immediate refund, the Commission issued Order No. 8569, denying Staff's motion. The Order provided that Delmarva would initiate the refund with the billing cycle beginning the Tuesday after Labor Day, September 2, 2014. This Plan is filed in compliance with Ordering Paragraph 3 of Commission Order No. 8569.

¹ This request was subsequently modified by Delmarva to \$38.9 million.

II. Applicability of the Refund

Any Delmarva customer who received service from October 22, 2013 through April 30, 2014 is entitled to a refund for the difference between final ordered rates and the rates placed into effect on May 1, 2014 where rate design and usage levels provide for a refund². This includes customers who are active and those that have left the Company's system. If a customer has left the Company's system, it means that they are no longer a Delmarva customer.

III. Proposed Timing of the Refunds

Refunds, where due, will be applied to customer's accounts beginning September 2, 2014.

IV. Mechanics of the Rate Refund

The Company's Billing System rate refund process uses a batch system that recalculates billed revenue using the final rate factors (May 1, 2014 rates) compared to those used in the actual bill calculation (October 22, 2013 rates). The process begins with a request from the Regulatory Compliance team that identifies the time frame affected by the rate change, as well as the final approved rate factors that replace the original rates used during the actual billing process.

The final approved rate factors are loaded in a test system effective with the October 22, 2013 date. These rates replace the rates that had been in effect during the dictated time period. Based on the request from the Regulatory team, the rate refund process is set up to select the accounts and bill periods that potentially require a refund. This process selects active and inactive accounts. Once the accounts are identified, the refund process recalculates the revenue based on the final approved rates for each account and bill period affected. The recalculated revenue is compared to the original billed revenue and the difference is the refund adjustment. Reports are produced that list each account and adjustment by bill period. Selected accounts from the reports are reviewed to ensure that the recalculated revenue and the adjustment amounts are correct.

Reports are also generated to identify exceptions. These exceptions include accounts with bill periods that were not recalculated due to various conditions. These conditions include items, such as, zero day bills, previously adjusted using the miscellaneous adjustment, and accounts that did not complete billing. Exceptions are reviewed and adjusted manually, if necessary.

Next, a file is created with each account and the accompanying refund adjustment. This file is used to calculate interest and post adjustments to the Accounts Receivable database. Reports are produced from this process and selected accounts reviewed to verify the interest calculated and that the adjustments are posted correctly. Adjustments are posted as separate lines for each bill period. Interest is also displayed as a separate line item by bill period.

After the refund adjustments are posted, revenue reports are produced with the adjusted revenue. Reports detailing this information are then provided to Revenue Accounting.

The refund adjustment, where applicable, appears on the bill as a line item in the Billing Summary section. Test bills are produced from a test batch billing and the line items are verified

² As a result of the approved rate design implemented on May 1, 2014 (as compared to the across the board rate design implemented on the interim rates), approximately 55,000 customers will not receive a refund because at certain usage levels customers will be paying more under the new rates.

on selected bills. After the testing is completed, the same process is run in the production system. Accounts are reviewed in production and selected bills are verified.

Due to the volume of adjustments and the processing time involved, this rate refund will be processed over the three-day weekend of August 30, 2014 through September 1, 2014. If a customer has an inactive account but no active account with the Company, after the credit adjustments are applied to the account, where applicable, a refund check will be processed using the mailing address on the Company's Billing System or last known address.

V. Interest Rate to be Applied

The rate refund interest rate to be applied in this instance is the prime rate of 3.25% per Order No. 2696; PSC Regulation Docket No. 11. Interest will be calculated based on the overpayment of the billing periods being refunded, from October 22, 2013 through the date of the credit adjustment.

Interest will be calculated on each adjustment amount. The interest calculation is as follows:

Interest amount rounded = (elapsed days * (adjustment amount) * interest rate) / 365

Elapsed days = calendar day difference between refund date and period end date.

The refund adjustments will appear on the next regularly scheduled bill after the adjustment is posted. The adjustments and interest will be combined as one line item on the bill with the description: Rate Refund + 3.25% Interest.

VI. Customer Communications

A general statement about the Electric Rate Refund was included in Delmarva's July 2014 bill insert. After the credits are posted, a message will appear on the bill of those receiving refunds. Attached are the Call Center Frequently Asked Questions.

VII. Reporting Requirements (Summary of total refund dollars)

Sixty (60) days after the last refunds are posted, Delmarva will provide the Commission with a summary report of the refunds applied to customer accounts; interest paid will be reported separately.

VIII. Customer Care Credit and Collections Process

The credit adjustments will be applied against the customer's account arrearages. If the same customer with the Company has an inactive account and an active account, after the credit adjustments are applied to the inactive account, the credit adjustments would then be moved to the customer's active account. If a customer has an inactive account but no active account with the Company, after the credit adjustments are applied to the inactive account, where applicable, a letter will be sent to that customer stating that a refund is due. After the customer sends a copy of the letter back with a corrected address or additional information, a refund check would then be issued. If there is no response or if the letter comes back undeliverable, those refund dollars would be escheated to the State of Delaware pursuant to the provisions of Title 12, Ch. 11 of the Delaware Code. If a customer has a charged off account with the Company, the account will be

reinstated (removed from charged-off status), the credit adjustment will be applied and if there is still a balance, the status would be charged off. The collection agency will be notified of updates to charged-off accounts. Delmarva's uncollectible balances will be reduced by these credit adjustments.

Delaware Electric Rate Refund Communications Plan DRAFT XX/XX/14

Background:

On March 22, 2013, Delmarva Power filed for an electric base rate increase of \$42 million with the Delaware Public Service Commission (PSC). On October 22, 2013, pursuant to Delaware law, Delmarva Power implemented a temporary electric base rate increase of \$27.65 million in Delaware while it awaited a final decision from the PSC on the original rate increase request.

On April 2, 2014, the PSC approved an electric rate increase of \$15.09 million, which took effect on May 1, 2014. An estimated portion of the \$12.56 million annual difference between rates implemented and rates approved will be refunded to Delmarva Power's Delaware customers entitled to a refund, beginning September 2, 2014. The refund amount will include interest to customers per the applicable regulatory provisions.

Key Messages:

- Because the PSC approved an amount less than the Company's full request, where applicable, customers will be issued a refund based on each customer's use multiplied by the difference between the amount of the temporary increase and the final amount approved by the PSC. The customer refund, which by law includes interest to customers, is owed for the time period of October 22, 2013 through April 30, 2014.
- The refund interest rate, as established by PSC regulation, is the prime rate, which is 3.25 percent.
- A much smaller percentage of customers will receive their refund by check. These customers had active accounts between October 22, 2013 and April 30, 2014, but no longer have an active Delmarva Power electric account.
- Interest amounts will be calculated based on the overpayment of the billing periods being refunded, from October 22, 2013 through the date of when the credit is issued to the customer.

SPECIAL NOTE TO CUSTOMER CARE:

Customers on budget billing will not see the refund amount as a line item on their bill. The refund amount will be deducted from their budget balance. The refund amount and the interest amount can be seen as separate line items on V/ARHST.

Frequently Asked Questions:

1) Why am I getting a refund?

The customer refund, which includes interest, is owed from the time when Delmarva implemented its temporary rate increase request in October 2013, to the time that the PSC approved the implementation of final rates as of May 1, 2014. Because the PSC approved a final amount less than the Company's full request, eligible customers are being issued a refund, which includes interest, in the form of a bill credit.

2) How did you determine the interest rate?

By law, the refund interest rate is the prime rate, which is 3.25 percent.

3) Is the refund the same for everyone?

No. The refund is based on a customer's electric usage during the time period of October 2013 to April 2014.

4) How did you determine the refund amount?

The refund amount is the difference in the rate you were charged from October 22, 2013 through to April 30, 2014 and the rate that the Commission approved, which took effect on May 1, 2014. We multiplied the difference in rates by the amount of your electric usage for that time period to determine your refund amount. We then multiplied your refund amount by the prime interest rate to determine how much you were owed.

5) If I have an overdue balance, will this refund be applied to it?

Yes, a bill credit will be applied to reduce the past due amount.

6) Why didn't I receive an electric rate refund?

Because the rate design approved for the final rates effective May 1, 2014 was different than the rate design implemented on an interim basis on October 22, 2013 and the rate design is dependent upon electric usage, certain usage levels do not meet the threshold to receive a refund. During the interim rate period (October 22, 2013-April 30, 2014), your electric usage exceeded the established threshold of refund eligibility. Those customers receiving a refund used less electricity than you did during that same time period.

Proposed Bill Message for Customers Receiving Refund (172 characters w/spaces):

This bill includes an electric refund credit and interest which is due to customers for higher delivery rates changed from October 2013 through April 2014.